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FEDERAL COMMUNICATIONS COMMISSION
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THE
SOUTHLAND
CORPORATION

August 5, 1992

The Honorable Alfred C. Sikes
Chairman, Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 92-77
<u>Billed Party Preference</u>

Dear Mr. Chairman:

Enclosed please find an original and nine copies of comments filed by The Southland Corporation in the above-referenced proceeding. We would appreciate your making a copy available to each of the commissioners.

Sincerely,

Ron Doughty
Manager, Government Affairs

RHD/dh
Attachment

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 92-77
Billed Party Preference	)	
for 0+ InterLATA Calls	)	
	)	

COMMENTS OF
THE SOUTHLAND CORPORATION

The Southland Corporation submits these comments in reply to various comments previously filed with respect to the Commission's Notice of Proposed Rulemaking, CC Docket No. 92-77, FCC 92-169, released May 8, 1992 (hereafter the "Notice"). For the various reasons set forth below, Southland urges the Commission not to adopt the billed party preference ("BPP") proposal.

By way of background, The Southland Corporation operates approximately six thousand 7-Eleven stores nationwide. Southland's 7-Eleven stores provide many products and services to customers, one of the most important of which is pay telephone service. We submit that BPP is neither in the best interests of Southland, nor of its pay telephone customers. If BPP is adopted by the Commission, it ultimately may have the regrettable effect of causing many 7-Eleven stores to discontinue providing pay telephone service to customers altogether.

It is our understanding that those who advocate BPP contend that its adoption will make it more convenient, and less costly, for telephone consumers to place 0+ interLATA telephone calls, and would fulfill the federal goal of providing consumers with equal access to their preferred carriers. In all likelihood, however, the exact opposite will result from the adoption of BPP -- 0+ dialed telephone calls will be far less convenient for our customers to make, and the cost of making them will become exorbitant.

In the case of BPP, the stakes are very high. BPP will cost countless millions of dollars first to create the processing network and to educate telephone customers to understand and use it, and thereafter, millions more will need to be spent every year to maintain the system. AT&T, for example, has estimated that the cost of BPP to itself and its customers will be well over $500 Million a year. This translates to a cost to customers of approximately $.32 per operator assisted call. We believe this cost to be totally unacceptable.

It stands to reason that the implementation of any new technology such as BPP will bring with it new costs. The critical question for a business such as ours, which must pay close and careful attention to the needs of our customers, is whether the purported advantages of the new technology justifies its costs. In the case of BPP, the costs far outweigh the so-called advantages which its supporters advocate.

What if any are the advantages to BPP that might justify these high costs? BPP advocates argue that one advantage to BPP is that it will give telephone consumers equal access to their preferred carriers. However, as the Commission well knows, Congress already has mandated that consumers be allowed to choose their preferred operator service provider from any location through the use of access codes, a system which has worked very well so far, and which is well understood and readily accepted by consumers. Under the existing access code system, consumers already have equal access to their preferred service provider from virtually any telephone in the nation, including those provided at 7-Eleven stores. There is no support, therefore, for the proposition that BPP is needed as a means to provide equal access.

It also is difficult to understand on what basis BPP advocates claim that their proposed system would be efficient. In fact, just the opposite would be true. In all likelihood, because under BPP interLATA calls would need to be routed first to the local central office, then to a "clearinghouse" verification database, and then to the interexchange carrier, call connect times will be far longer, a change which hardly would be to the advantage of consumers.

In addition to the time factor in making calls, the far more complex and longer processing system is likely to lead to a significant and noticeable degradation of transmission quality. Transmission quality is of paramount importance in any communications system, and especially so in the case of public pay telephones, many of which are located in areas where unrelated outside noise at times interferes with the customers' ability to hear the telephone transmission.

The additional complexity of BPP, and the likelihood of degraded quality and transmission breakdowns will lead to another serious consumer problem, namely which of the two operator systems involved in a BPP call will take responsibility for breakdowns, and which will credit the caller if a breakdown or poor connection occurs? We would expect under BPP to see telephone consumers frustrated at not being able readily to communicate with the operator system that can best resolve problems on the line, and when problems are unresolved, losing hard earned money on failed telephone calls. In all likelihood, the effect of BPP will be to leave the frustrated consumer constantly in the middle of endless disputes between the two operator systems over who is responsible for the problems, with little result.

We submit that the Commission's BPP proposal also runs counter to the federal policy of encouraging competition in the telephone industry, and of encouraging technological innovation. The inevitable result of BPP, we believe, would be to facilitate the monopolization of the payphone market by the large local exchange companies, at the cost of driving aggressive and innovative independent payphone providers out of the market. Over the past decade, the development of smaller independent competitors has been a major impulse for innovation in the telephone industry -- BPP would take its toll by putting the innovators out of business.

Finally, the BPP proposal ignores an important reality of the pay telephone market, namely that the owner of the telephone, both for customer relations purposes, and for simple economic reasons, has a significant interest in the type of telephone services offered at its premises, and that those interests should be taken into account.

It should go without mentioning that we are concerned about the quality of all products and services offered at 7-Eleven stores, and the likelihood that BPP will downgrade the quality of our pay telephone service alone is reason enough for us to oppose the proposal. Our store operators invest a substantial amount of money and space to provide and maintain pay telephones to customers -- the store operators deserve the right to ensure that the service which is provided is the best, the most convenient, and the most economical. Many customers unfortunately will blame the store operators to the extent that pay telephone service fails in our stores, even if the failure was entirely the result of distant technological problems totally beyond the control of the store.

The Commission at various places throughout the proposal suggests that there is something improper with regard to premises owners receiving compensation through presubscription contracts with their operator service providers. We vehemently disagree. It is a matter of simple business economics that store owners should receive some compensation for the thousands of dollars which they spend in equipment, maintenance, and in providing space for pay telephones for the use of customers. There is nothing improper with regard to a business owner seeking to profit from the services it provides -- in fact, it is that profit that in many cases makes it possible to provide new and better services to customers.

In conclusion, we oppose the BPP proposal because the benefits which it would purport to provide to pay telephone customers, such as equal access and cost competition already exist under the existing structure of the pay telephone market, and have been fully accepted by consumers. BPP would not improve pay telephone service at all, and in all likelihood, will downgrade service and increase cost.

Finally, we submit that BPP ultimately could have the result of limiting pay telephone access in that many of our store operators may find it necessary to curtail or eliminate pay telephone service, rather than offer poor service at a high cost to the customer and with little compensation to the store owner. This would be a tragic result from a proposal which was intended to improve the pay telephone access system.

We therefore ask the Commission to reject the BPP proposal and retain the current presubscription system without change.

Respectfully Submitted:

/s/ Ron Doughty / EHH

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DATED: August 5, 1992